Washington, DC – Today, Congressman Joe Sestak (Pa – 07) voted for the Senate amendments to the Ensuring Continued Access to Student Loans Act of 2008 (HR 5715), which passed in the Senate yesterday and was passed by a vote of 388 -21 in the House today. The Congressman originally voted for and the House originally passed this bill by a vote of 383-27 on April 17. The bill provides new protections, in addition to those in current law, to ensure that families can continue to access the loans they need to pay for college. — "In this time of economic uncertainly, we need make sure that our nation's students can continue to fund their education, so that we strengthen our future workforce in this globalizing world," said Congressman Sestak, who cosponsored the legislation. "Though there have been no reported problems with federal loans at this time, I believe that with the current credit climate this legislation is important as it bolsters the system in place to continue to provide students with uninterrupted access to their federal loans, regardless of the state of the market."

Congressman Sestak placed an amendment in the legislation that clarifies that a loan purchased by the Secretary of Education may continue to be serviced by the current lender. This reduces costs and provides better assurance that the transition will not impact students or educational institutions.

Overall, The Ensuring Continued Access to Student Loans Act of 2008 will:

Reduce borrowers' reliance on costlier private college loans and encourage responsible borrowing

• Under current law, dependent undergraduate students can borrow $3,500 in unsubsidized federal loans during their first year of college; $4,500 in unsubsidized loans during their second year; and $5,500 in unsubsidized loans during their final two years of college. Over the course of their education, dependent undergraduate students can currently borrow up to $23,000 in total federal student loans (both subsidized and unsubsidized) and independent undergraduates can borrow up to $46,000 in total loans.

• H.R. 5715 would increase the annual loan limits on federal unsubsidized student loans by $2,000 for all students, and increase the aggregate loan limits (the total loan limit over the course of a student’s education) to $31,000 for dependent undergraduates and to $57,500 for independent undergraduates.

Give parent borrowers more time to begin paying off their federal PLUS college loans

• Under current law, parent borrowers must begin repayment of federal PLUS college loans 60 days after the disbursement of the loan.
• H.R. 5715 would give parents the option to defer repayment until up to six months after their children leave school, giving families more flexibility in hard economic times.
Help struggling homeowners pay for college

• Under current law, parents with an adverse credit history are ineligible to receive a parent PLUS loan, except under extenuating circumstances.

• H.R. 5715 would temporarily classify as an extenuating circumstance delinquencies on home mortgages of up to 180 days, therefore making it possible for parents feeling strained by the current housing market to secure loans for their children. The Senate amendments clarify the time period during which a delinquency on a mortgage payment will not disqualify a parent from accessing a PLUS loan.

Provide the U.S. Secretary of Education additional tools to safeguard access to student loans

• H.R. 5715 would clarify that existing law gives the U.S. Education Secretary the mandatory authority to advance federal funds to guaranty agencies operating as lenders of last resort in the event that they do not have sufficient capital to originate new loans. The bill would also allow guaranty agencies to carry out the functions of lender of last resort on a school-wide basis.

• H.R. 5715 would also give the Secretary the temporary authority to purchase loans from lenders in the federal guaranteed loan program, if there was a determination that lenders and other existing policy options were unable to meet the demand for loans. This would ensure that lenders continue to have access to capital to originate new loans. The Education Department would only be authorized to purchase loans in such a manner that would carry no cost for the federal government.

Strengthening the current “lender of last resort” program and allowing the Secretary to designate entire institutions as “lender of last resort” schools:

The Senate amendments:

 Ensure that loans made through the lender-of-last-resort program are made with similar terms and conditions as other FFELP loans.

 Sunset the Secretary’s authority to designate entire institutions for the lender-of-last-resort program at the end of the 2008-2009 school year.

 Ensure that guaranty agencies and lenders operating under the lender-of-last-resort program are subject to the same rules regarding inducements and conflicts of interest as are other FFELP lenders.

 Safeguards the lender-of-last-resort program from abuse by requiring guaranty agencies and lenders acting as lenders of last resort to report on loans made through the program.

 Protects taxpayers by requiring reporting on the costs of the lender-of-last-resort program as compared to the current loan programs.

Supporting low-income students and reducing their reliance on student loans:

The Senate amendments:

 Reduce low-income students' reliance on federal student loans by directing all savings generated by this legislation into ACG and SMART grants.

Congressman Sestak is also a cosponsor of two additional bills designed to provide additional liquidity. The Student Loan Access Act (H.R. 5914) makes clear authorities for the Federal Financing Bank to provide liquidity to the Student Loan marketplace. The Emergency Student Loan Market Liquidity Act (H.R. 5723), which would give Federal Home Loan Banks emergency authority to provide student lenders access to capital. That legislation allows Federal Home Loan Banks (FHLB) to invest their surplus funds in student loan-related securities. The act also allows FHLBs to accept student loans and student loan-related securities as collateral and authorizes each FHLB to provide secured advances to its members to originate student loans or finance student loan-related securities.

Taken together, these three pieces of legislation work to improve access to student loans despite disruption in the capital markets. The Congressman is pressing to ensure that these actions are ready in advance of the peak student lending season over the next few months.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.